





Forwards
Future

超越過去 走向未來

Chairman's Statement

主席報告書

I have pleasure to present the 2005/2006 annual report of Hanny Holdings Limited (the "Company") and its subsidiaries (the "Group").

BUSINESS AND OPERATIONS REVIEW

The financial year of 2005/2006 was an eventful year for the Group, the highlight of which was the disposal of the Memorex® business in April 2006. Pursuant to the agreement, the transaction included the disposal of the Memorex® intellectual property portfolio and trade names, the entire equity interest in all companies of the Memorex® business involved with the marketing and sale of hardware, media and accessories used for the storage of electronic data, and the licensing business of Memorex® trademarks and trade names of Memorex® in connection with the marketing and sale of other products.

Given the intense competition and the uncertain economic environment encountered by the Memorex® business, the Company considered it an opportune time to exit the business on favorable terms. The disposal of the Memorex® business completed in April 2006 was a very significant disposal to the Group and should give rise to a fruitful gain and substantial cash inflow to the Group in the first half of financial year 2006/2007. If achieved, further earnout payments contemplated in the agreement will enable the Group to enjoy the benefits of the future performance of the Memorex® business up to year 2009.

Trading Operations

North America

In North America, Memorex® recorded record revenues in fiscal year 2006. Growth in USB Flash revenues was the primary driver of the record revenues achieved during the year. USB Flash unit sales and revenues increase nearly 150% year over year. Memorex® was able to substantially increase its USB Flash Drive market share through increased penetration of key retailers. North American USB Flash Drive market share increased from 14% to 19% and Memorex® became the number two player. The DVD media business experienced an over 40% unit growth and a continued number one position with a 28% market share in the North American market according to industry trade publications. However, DVD revenue growth was stalled as a result of declining Average Selling Prices ("ASP") as a result of an over supply of DVDs in the global market. DVD revenues declined approximately 2% year over year.

Operating margins in North America declined year over year primarily as a result of depressed DVD media margins due to the global over supply and marketing investment required to expand the USB Flash Drive business.

本人欣然呈報錦興集團有限公司（「本公司」）及其附屬公司（「本集團」）之二零零五／二零零六年年報。

業務及經營回顧

二零零五／二零零六年財政年度乃本集團重要的一年，其中最顯著者為於二零零六年四月出售Memorex®業務。根據有關協議，該項交易包括出售Memorex®知識產權、商號、Memorex®所有涉及電子數據儲存硬體、媒體和配件的市場推廣及銷售業務之公司的全部股權及有關Memorex®商標和Memorex®商號其他產品之市場推廣及銷售的特許經營業務。

鑒於Memorex®業務競爭越趨激烈及經濟環境充滿變數，本公司認為應把握時機，以有利的條件退出該項業務。出售Memorex®業務的交易於二零零六年四月完成，屬本集團一次非常重大的出售事項，並為本集團於二零零六／二零零七年上半年的財政年度帶來豐厚可觀的現金收益。協議項下之額外金額（倘能達到）令本集團能夠分享Memorex®業務未來直至二零零九年之經營成果。

貿易業務

北美洲

在北美市場，Memorex®於二零零六年財政年度錄得創記錄水平收入。年內收入創記錄水平，主要反映USB Flash收入的增長。USB Flash單位銷售及收入均按年增加近150%。透過加強向主要零售商銷售Memorex®，令USB Flash Drive市場佔有率能大幅增加。USB Flash Drive在北美市場的佔有率由14%增加至19%，令Memorex®成為市場第二位品牌。根據行業貿易刊物所載資料顯示，DVD媒體業務錄得逾40%的單位增長，北美市場佔有率達28%，繼續保持領先地位。然而，由於全球市場DVD供應過剩，導致平均售價下降（「平均售價」），致令拖延DVD的收入增長。DVD收入按年下降約2%。

鑒於全球DVD媒體供應過剩，導致DVD媒體產品的利潤下降，加上USB Flash Drive業務的拓展需要投入資金進行營銷工作，令北美業務的經營利潤率錄得按年下跌。

Europe

The European market remained challenging during the fiscal year. European revenues declined nearly 20% year over year largely as a result of sharp declines in the DVD and CDR media business categories. Fierce price competition among competitors within the European market resulted in unit, ASP and revenue declines in both media categories. Overall revenue declines were buoyed by strong increases in USB Flash Drive unit and revenues.

Although the Memorex® brand captured a strong presence within top European retailers the market became much more fragmented than the North American market causing fluctuating demand for its products. The Group was able to substantially decrease inventories during the year to reduce inventory exposure and improve gross margins in a dynamic market environment.

Investment

During the year, the Group subscribed for the convertible notes issued by Macau Prime Properties Holdings Limited (formerly known as Cheung Tai Hong Holdings Limited) ("MPP"), See Corporation Limited ("SCL") and Wo Kee Hong (Holdings) Limited ("WKH") respectively. The subscription of notes enables the Group to diversify our investment portfolio into the entertainment and pay TV industries, and property developments in Macau and electronic products respectively, should we assess the performance of the note issuers is outstanding. The convertible notes provide the Group with a stable return on investment. The conversion rights attached to the convertible notes give the Group flexibility to acquire marketable equity shares and an opportunity to enjoy any potential capital gain in the value of the marketable equity shares.

歐洲

歐洲市場仍舊挑戰重重。DVD及一次收錄光碟媒體業務顯著倒退，令歐洲業務收入按年減少近20%。歐洲市場同業價格競爭激烈，上述兩項業務的單位銷售、平均售價和收入均告下跌。USB Flash Drive單位銷售和收入大幅增長，減輕了整體收入跌幅。

雖然Memorex®品牌在歐洲主要零售商市場中，保持較大的市場佔有率。然而，歐洲市場遠較北美市場分散，產品需求的波動較大。年內，本集團成功降低存貨水平，得以在瞬息萬變的市場環境裏，減少存貨風險，提高集團毛利率。

投資

年內，本集團分別認購由澳門祥泰地產集團有限公司（前稱祥泰行集團有限公司）（「澳門祥泰地產」）、漢傳媒集團有限公司（「漢傳媒」）及和記行（集團）有限公司（「和記行」）發行之可兌換票據。倘本集團評估票據發行人之表現卓越，認購該等票據有助於本集團拓展其投資範圍，分別涉足娛樂、繳費電視及澳門物業發展，以及電子產品。可兌換票據可為本集團帶來穩定之投資回報。可兌換票據隨附之兌換權令本集團可靈活購入可買賣權益股份，並有機會享有可買賣權益股份價值帶來之任何潛在資本增值。

Chairman's Statement

主席報告書

OUTLOOK

Following the closing of the disposal of the Memorex® business in April 2006, the Group has, on the one hand, been concentrating on the businesses carried out by the remaining businesses, which comprise the trading of securities, property investment and trading and other strategic investments including investments in associated companies listed on the various stock exchanges and long-term convertible notes issued by listed companies, while continuing to actively explore other investment opportunities on the other hand.

In June 2006, the Company acquired a 98.92% stake in Group Dragon Investments Limited ("GDI") which serves as an investment vehicle for the Company in projects in Asia and mainland China. The diverse business coverage of the Group and its associates includes property development and trading, manufacturing and marketing of tires and package material, sand mining, business of providing tour, travel, hotel business, health care business, entertainment and pay TV, trading and distribution of household consumer products, and investment holding.

During the year under review, the Group subscribed for three convertible notes issued by MPP, SCL and WKH respectively. There are also upcoming subscriptions of convertible notes issued by Mei Ah Entertainment Group Limited and Golden Harvest Entertainment (Holdings) Limited. Going forward, the Group will look for further strategic investments that will both strengthen and bring diversity to the present portfolio.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK6 cents per share in cash with scrip option (2005: HK6 cents, with scrip option) for the year ended 31 March 2006 subject to the approval of the shareholders of the Company at the forthcoming annual general meeting ("AGM"). An interim dividend of HK4 cents per share in cash with scrip option (2004: Nil) was paid by the Company during the year.

Subject to the shareholders' approval at the AGM, the dividend warrants will be paid on or around Friday, 29 September 2006 in cash with shareholders being given an option to receive shares of HK\$0.01 each ("New Shares") in the Company in lieu of cash in respect of part or all of such dividend ("Scrip Dividend Scheme"). The number of New Shares will be calculated on the basis of the average of the closing prices per share of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five consecutive trading days ending 31 August 2006. A circular giving full details of the Scrip Dividend Scheme and a form of election will be sent to the shareholders after the AGM. The Scrip Dividend Scheme is conditional upon the Stock Exchange granting the listing of and permission to deal in the New Shares to be allotted and issued.

展望

隨著於二零零六年四月完成出售Memorex®業務後，本集團一方面專注於餘下業務的經營，包括證券買賣、物業投資及買賣，以及其他策略性投資（包括投資於在不同證券交易所上市的聯營公司及上市公司所發行的長期可兌換票據）。另一方面，則繼續積極發掘其他投資機會。

於二零零六年六月，本公司收購群龍投資有限公司（「群龍」）98.92%股權，透過該公司令本公司持有在亞洲及中國內地的投資項目。本集團及其聯營公司的業務範圍廣泛，包括物業發展及買賣、輪胎及包裝物料製造與銷售、採砂、提供旅行團、旅遊、酒店業務、保健業務、娛樂事業及繳費電視、家居消費產品貿易分銷以及投資控股。

於回顧年度，本集團認購三份分別由澳門祥泰地產、漢傳媒及和記行發行之可兌換票據。隨後不久亦將認購由美亞娛樂資訊集團有限公司及嘉禾娛樂事業（集團）有限公司發行之可兌換票據。展望將來，本集團將進一步物色策略投資項目，以鞏固現有投資組合，將資產組合多元化。

末期股息

董事會建議派發截至二零零六年三月三十一日止年度之末期股息每股現金6港仙（可選擇以股代息）（二零零五年：6港仙，可選擇以股代息），惟須待本公司股東於應屆股東週年大會（「股東週年大會」）上批准，方可作實。本公司已於本年度派發中期股息每股現金4港仙（可選擇以股代息）（二零零四年：無）。

待股東於股東週年大會上批准後，股息單將約於二零零六年九月二十九日星期五以現金派付。就部份或全部股息而言，股東可選擇收取本公司每股面值0.01港元之股份（「新股」）以代替收取現金（「以股代息計劃」）。新股數目將按本公司股份截至二零零六年八月三十一日止五個連續交易日在香港聯合交易所有限公司（「聯交所」）之每股平均收市價計算。載有以股代息計劃詳情及選擇表格之通函將於股東週年大會後寄發予股東。以股代息計劃須待聯交所批准將予配發及發行之新股上市及買賣後方可作實。

APPRECIATION

I would like to take this opportunity to express my gratitude to my fellow board members, the management and employees for their hard work and contribution to the Group in the past year.

On behalf of the Board

Dr. Chan Kwok Keung, Charles
Chairman

Hong Kong, 28 July 2006

致謝

本人謹此向各董事會成員、管理人員及僱員於過去一年之努力及對本集團作出之貢獻，深表謝意。

謹代表董事會

主席
陳國強博士

香港，二零零六年七月二十八日